

HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF HAWAII

**MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THEIR OFFICE AT 677 QUEEN STREET
ON THURSDAY, MARCH 16, 2006,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII**

**AMENDED
MINUTES
4/13/06**

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for their Regular meeting at 677 Queen Street, on Thursday, March 16, 2006, at 9:00 a.m.

The meeting was called to order by Chairman Charles Sted and, on roll call, those present were as follows:

**CALL TO
ORDER/
ROLL CALL**

PRESENT: Director Charles A. Sted, Chairman
Director Francis L. Jung, Esq.
Director Linda Smith
Director Travis O. Thompson
Director Charles King
Designee Henry Oliva
Designee Rick Manayan

Executive Director Stephanie Aveiro

Staff Present: Nalani Wilson-Ku, Deputy Attorney General
Pamela Dodson, Executive Assistant
Darren Ueki, Finance Manager
Dean Sakata, Finance Specialist
Edmund Morimoto, Construction Management Section Chief
Brian Johnson, Program Specialist, Homeless Programs Branch
Thomas Otake, Acting Development Section Chief
Stanley Fujimoto, Project Manager
Chris Sadayasu, Housing Development Specialist
Leo Domingo, Housing Development Specialist

Others: Michael Flores, Director, Office of Public Housing, U.S.
Department of Housing and Urban Development, Hawaii State
Office
Gary Furuta, Project Manager, Hawaii Housing Development
Corporation
Roy Katsuda, President, Hale Mahaolu, Maui
Julie Estrella, Island Tenants on the Rise (ITOR)
Lusia Wieckowicz, Island Tenants on the Rise (ITOR)
Patricia Deliz, Island Tenants on the Rise (ITOR)
Bill Barton, Court Reporter, Carnazzo Court Reporting Company

The Chairman declared a quorum present.

QUORUM

HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF HAWAII

Director Jung moved, seconded by Director Oliva,

That the minutes of the Regular Meeting held on February 16, 2006 be approved with the following amendments:

Page 156, Paragraph 6, Sentence 2 ends after the word “region.” Delete remainder of paragraph from [-live, work, play down to prospective homeowners.]

Page 165, Last Paragraph beginning with “Mr. Mackler..., Sentence 3, correct word [Pu’uhi] to read “Puhi.”

Page 171, Paragraph 3 that begins with “The Chair requested...,” Sentence 2, correct word [for] to read “forth.”

The motion was unanimously carried.

Chairman Sted indicated that the Board agenda items would be discussed in the following order:

1. Item IV.3., Item IV.4., and Item IV.5., under Discussion and Decision Making;
2. Item III.A.1.e., Letter dated March 9, 2006, to Michael S. Flores, U.S. Dept. of HUD, regarding the HCDCH Improvement Plan, under Reports, Office of the Executive Director, Board-Related Correspondence;
3. Item V., Executive Session; and
4. Item III.A., Reports, Office of the Executive Director.

Mr. Stanley Fujimoto, Project Manager, presented the For Action.

In the 1990s, then-HFDC developed the Wahiawa Mixed Use Development under Act 15. The Wahiawa Mixed Use Development consisted of two parts: 1) the Leilehua Villages Residential Subdivision, and 2) the La’iola Elderly Project. The La’iola Elderly Project is located on the property line between two parcels (044 and 045) totaling over 11 acres. Most of the land of parcel 045 is an unusable gulch which is part of the drainage basin to Lake Wilson. Within the past four years, the State has spent \$23,000 to maintain this parcel.

Mr. Fujimoto reported that Rep. Marcus Oshiro has asked the HCDCH to consider conveying the gulch behind La’iola and Leilehua Village projects to DLNR since it is part of the drainage basin to Lake Wilson. After HCDCH staff met with DLNR, the DLNR requested that HCDCH submit a written request. The DLNR did not indicate whether or not they would take it over.

Mr. Fujimoto indicated that HCDCH could not convey the gulch area to DLNR because:

1. The balance of the land of the La’iola Elderly Housing Project has not been subdivided. The question of zoning for parcels 044 and 045 do not permit the elderly housing project (La’iola); and
2. Act 15 has expired, and in order for the HCDCH to subdivide the elderly project, the City and County of Honolulu would require the HCDCH to obtain a 201G exemption that would permit the project.

Mr. Fujimoto also indicated that adjacent to the La’iola Elderly Project is a 10,000 s.f. vacant land, zoned P-2, that would require zoning exemptions in order for it to be developed. Staff is proposing that an RFP be issued for the vacant area to accomplish the following two objectives:

APPROVAL
OF MINUTES -
REGULAR
MEETING -
2/16/2006

DISCUSSION
OF BOARD
AGENDA
ITEMS

DISCUSSION
AND/OR
DECISION
MAKING

Discussion and
Possible Action
on Approval to
Issue a Request
For Proposals
For a Vacant
Area Between
The La’iola
Elderly Housing
Project and
Leilehua Village
Subdivision,
Wahiawa, Oahu,
Hawaii

1. Subdivide out the elderly project; and
2. Build affordable units on the vacant land.

The HCDCH staff met with Senate President Robert Bunda who prefers a “for sale” project. Rep. Marcus Oshiro wants the gulch area to be part of the Lake Wilson drainage system.

Staff is, therefore, requesting that an RFP be issued for the vacant area adjacent to La’iola Elderly Housing Project on Ihoiho Place in Wahiawa, Oahu.

The Chair asked the Board members if they had any questions.

Director Smith asked for clarification whether the homeowner, Mr. Ricky Thompson, who wrote to the State on October 29, 2004, was interested in purchasing only the gulch area or the gulch area and the vacant parcel.

Mr. Fujimoto responded that Mr. Thompson was interested only in the gulch area since he is living at the end of Ihoiho Place. Mr. Thompson was also advised by staff that his request could not be considered by the HCDCH since the elderly project had not been subdivided out.

Director Smith asked whether Mr. Thompson would still be interested if the Board approved this For Action, and Mr. Fujimoto replied that this decision would be left to the staff’s discretion. However, staff’s preference would be to comply with Rep. Oshiro’s request – that it be part of the drainage system for Lake Wilson. Mr. Fujimoto further indicated that should HCDCH offer the gulch area to DLNR, and DLNR refuses the offer, this area could be put out for open sale, although not at this time.

Director King asked Mr. Fujimoto to show him where the gulch and vacant areas are shown in Exhibit A, Page 3. In response to Director King’s question, Mr. Fujimoto replied that the gulch area is behind the vacant parcel, and the vacant parcel is all “buildable.”

Director Thompson asked Mr. Fujimoto what concept did he have in mind for developing the 10,000 s.f. of flat land (parcel 045), and Mr. Fujimoto replied, at minimum, two single family lots. The La’iola Elderly Project consists of 108 units in two, 6-story buildings.

Director Smith asked what does the P-2 zoning allow, and Mr. Fujimoto replied that P-2 is preservation and does not allow any development.

Director Thompson then asked Mr. Fujimoto what he thought would be the value of the 10,000 s.f. of vacant land and made reference to the \$55,000 estimate on Page 3 of 3 of the For Action.

Mr. Fujimoto indicated that assuming the land would be rezoned, and with the improvements already in, he estimated the value could be around \$400,000. Also, the \$55,000 amount is the estimate to convert the land to a usable one. In response to Director Thompson’s question that the land could potentially sell for \$400,000, Mr. Fujimoto replied that the agency’s standard procedure is to go out for an RFP where it can be presumed that the developer would pay zero for the land and just build. Or, the HCDCH could include a provision in the RFP that the developer has to maximize the financial return to HCDCH. However, this provision has not been an RFP criterion for an affordable housing project.

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Director Jung wanted to verify the following with reference to Item III.D., Page 3 of 3, of the For Action:

1. \$25,000 for land use consultant. Mr. Fujimoto confirmed that the consultant would put together the material to obtain the 201G zoning exemption for the usable land. The land use consultant would need to identify all the zoning variances that would be required to subdivide the property.
2. \$20,000 for the surveyor. Mr. Fujimoto confirmed that the surveyor would separate the usable land from the non-usable land which is the gulch.
3. After the land is converted to a usable one, the La'iola Elderly Project could be subdivided out.

There were no further questions from the Board.

Chairman Sted asked if all Members were in favor of the motion.

The motion was unanimously carried.

The Chair asked for a motion to approve.

Director King moved, seconded by Director Oliva,

Executive Director Stephanie Aveiro asked Darren Ueki, Finance Manager, to present the For Action.

Mr. Ueki reported that on September 28, 2004, this Board approved the project award of \$2.4+ million for the Tusitala Vista Project, nka the Ainahau Vista Project, in Waikiki, Oahu.

On May 25, 2005, a RHTF Letter of Intent was extended to 12/30/05, and another extension to the Letter of Intent was approved by the Executive Director to 3/31/06. The previous Board authorized the Executive Director to allow extensions for a total of 18 months from the time of the original award (9/28/04).

The 18 months will expire on 3/31/06, and the For Action now before the Board is requesting approval of another two months extension by the Awardee to 5/31/06. Although the Awardee is requesting a 60-day extension to 5/31/06, staff added another 30 days – to 6/30/06 – to take care of any other potential delays that may arise before the loan is closed. The current extension request is to complete all requirements of the Letter of Intent and to close the RHTF loan.

Mr. Ueki explained that staff evaluated, on an ongoing basis, three major categories with the developer:

1. Site Control – Awardee is owner on the site by warranty deed recorded in December 2004;
2. Zoning and Approvals – Project received 201G exemption from the City and County of Honolulu in July 2005; and
3. Financing Commitments – Project has received all of its financing commitments.

Mr. Ueki also noted that since the inception of the RHTF award, the developer has made strides in taking care of the required due diligence items in order to close the trust fund loan. Mr. Ueki added, however, that one of the outstanding items (and out of the developer's control) is the building permit from the City and County of Honolulu. The developer will not be able to obtain the permit by the 3/31/06 deadline of the current letter of intent.

Mr. Ueki indicated that he was available for questions from the Board.

Discussion
And Possible
Action on
Extension of
the ~~[Renal]~~
Rental Housing
Trust Fund
Letter of
Intent for
Ainahau Vista
Project fka
Tusitala Vista,
Waikiki, Oahu

The Chair asked if the Board Members had any questions.

Director Smith asked Mr. Ueki what other outstanding items caused project delays besides the building permit from the City and County of Honolulu.

Mr. Ueki replied that obtaining the building permit is the major item at this time. Other items will fall into place when the building permit is received, and other items such as tax clearances will be required before the loan closes.

Director Smith asked whether staff had made any attempt to contact the City and County of Honolulu to discuss expediting the building permit process for affordable housing projects.

Mr. Ueki replied that he believed this Board sent a letter of support to the City and County of Honolulu, but did not know whether or not there had been any dialog between the City and the HCDCH staff. He noted that Mr. Gary Furuta, the developer of the Ainahau Vista Project, which is his eighth project, probably has a working relationship with the City and County of Honolulu staff.

Mr. Gary Furuta indicated that construction for all eight projects commenced with the foundation permit, and not the building permit. He pointed out that it is critical to move the project along because the tax credits will be lost because of the two-year certificate occupancy deadline. Mr. Furuta believed that the staff at the City is just backlogged because experienced employees have retired.

Director Thompson asked when is the deadline for the two-year certificate occupancy for this project, and Mr. Furuta replied December 2006. He reported that the foundation permit has allowed the developer to complete the pile work, the pile caps and foundations are in place, concrete blocks are up to the first floor, and the ground floor concrete will be poured before the end of March 2006. The work is necessary even though there is no building permit. If the developer misses the two-year deadline, there will be problems such as increases in construction costs.

Director Henry Oliva queried whether the Board, in some way, could express to Mayor Hannemann and the City staff the importance of expediting the issuance of building permits for affordable housing projects.

Executive Director Aveiro replied that this subject matter is always discussed in various committees, and indicated that on February 2, 2006, she testified before Honolulu Councilman Todd Apo's Affordable Housing Committee on the State's housing initiatives. By letter dated January 20, 2006, to Honolulu Council Chair Donovan Dela Cruz, Executive Director Aveiro also provided a copy of Resolution No. 101 expressing support of County affordable housing efforts and offered the HCDCH assistance to work together to facilitate the development of affordable housing.

Mr. Ueki continued the discussion by indicating that the RHTF loans are not typically closed without having building permits in place. This is to protect the interests of the trust fund in itself. So, with the two-year certificate occupancy deadline approaching, Mr. Ueki apprised the Board that staff may need to seek the Board's guidance on closing a loan without having a building permit in place.

Chairman Sted suggested, for the record, and if appropriate, that a letter be prepared to Mayor Hannemann regarding the Ainahau Vista Project and outlining the details that are necessary for obtaining the building permit for this project. He also suggested that the Board members meet to discuss a strategy to resolve this situation.

Chairman Sted then indicated that he is appointing a subcommittee for this purpose, and asked for volunteers from the Board.

Directors Oliva and Smith volunteered.

There were no further questions from the Board.

Directors Smith and Thompson commented that they do not want the challenges faced by HHDC to obtain a building permit to jeopardize the project, and more specifically, the closing of the Rental Housing Trust Fund project award loan. Both suggested that staff do whatever is within the scope of the Rental Housing Trust Fund to ensure the completion of the project.

Mr. Ueki responded by saying that staff will remain in contact with Mr. Furuta to ensure that the project is given every opportunity to be completed by the end of calendar year 2006.

There being no further discussion, the Chair asked for a motion to approve.

The motion was carried unanimously.

The Chair asked for a motion to approve.

Director Thompson moved, seconded by Director Manayan,

Executive Director asked Mr. Darren Ueki, Finance Manager, to present the For Action.

Mr. Ueki reported that the Low Income Housing Tax Credit Program was created under the Tax Reform Act of 1986. Subsequently, the State of Hawaii created a state credit equaling 30% of the Federal LIHTC. In July of 2005, Act 196, SLH 2005, was enacted raising the State LIHTC from 30% to 50%.

He noted that staff discussed with the Deputy Attorney General as to what point in time a project is allocated the credits. The three milestones contemplated were:

1. The point in time that the Board approves Staff's recommendation to award the LIHTC;
2. The "placed in service" date, which typically takes place at the end of construction; and
3. The point in time that the IRS Form 8609 (this document entitles the tax credit to be claimed) is issued.

The first milestone noted above takes place prior to the project being constructed, with the latter two taking place after construction is completed. It was determined that the issuance of the IRS Form 8609 appeared to be the definitive time to claim the LIHTC.

Mr. Ueki noted that by making such a determination, there are an additional handful of projects listed as "Exhibit A" in the For Action that would benefit from the increase in the State LIHTC from 30% to 50%. Because the tax credits are the primary source of equity in the development of low-income, rental housing, any increase would be beneficial to any project.

Mr. Ueki reiterated the recommendation asking the Board to recognize and approve the increased maximum amounts of State LIHTC for the listed projects.

Mr. Ueki recognized LIHTC awardees Messrs. Roy Katsuda and Gary Furuta as individuals who will benefit from the Board Action. Both expressed support for the increase, noting that additional equity will result from this.

Discussion and Possible Action on Request to Amend Reservations of State Low Income Housing Tax Credit Awards from 30% up to 50% of the Federal Low Income Housing Tax Credit Awards for Projects that Receive LIHTC Allocations after July 1, 2005, Pursuant to Act 196, 2005 SLH.

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Director Thompson asked if the Attorney General's Department had provided any formal opinion regarding the increase in State LIHTC for the noted projects awarded prior to July 1, 2005. Mr. Ueki responded that no formal opinion was requested; however, there were various discussions and emails regarding the topic.

Director Thompson inquired as to the legality of awarding additional LIHTC when the project appeared feasible enough to make the initial award with the lesser amount.

Mr. Ueki responded that the development costs initially submitted through the application process are preliminary, and many times, changes as the project moves forward. He indicated that recent projects have seen material and labor costs increase greatly. Under normal circumstances, the developer would have to seek additional financing to cover the increased costs; however, with the 20% increase in State LIHTC, some, if not all, of these increases may be covered. He went on to explain that only the minimum amount of LIHTC will be allocated through the final underwriting and IRS Form 8609 issuance process.

Director Thompson followed up by clarifying that HCDCH awards an amount of LIHTC based on the project application, and then when the project is completed, staff will determine the exact amount of LIHTC.

Mr. Ueki indicated that the project is underwritten at completion based on the final cost certification and all other sources of financing. The amount of LIHTC cannot exceed the original amount awarded by the Board.

Director Smith questioned the total amount of State LIHTC that can be awarded. Is there some kind of calculation that can give a "cap" regarding the State's exposure in allocating LIHTC?

Mr. Ueki responded that under the 9% LIHTC, the cap is 50% of the approximately \$2.35 million that Hawaii has to allocate annually. Under the 4% LIHTC, there is no limit, and the amount allocated will be based on program activity.

Director Smith continued by asking if any administrative rules would need to be amended to recognize the increase in the State LIHTC from 30% to 50% and to recognize the issuance of the IRS Form 8609 as the point in time that the credits would be claimed.

Mr. Ueki explained that no changes would be required to administrative rules being that Act 196, SLH 2006, amended the statute. With regards to the point in time the LIHTC will be claimed, staff has had discussions with the Department of Budget and Finance, the Department of the Attorney General, and the Department of Taxation, and all are aware of the Corporation's decision.

There being no further discussion, the Chair asked for a motion to approve.

The motion was carried unanimously.

Chairman Sted indicated the Board would discuss agenda Item III.A.1.e., Board-Related Correspondence, Office of the Executive Director, under REPORTS.

Chairman Sted introduced the letter dated March 9, 2006 to Mr. Michael Flores. At the last Board meeting, the Board requested that a letter be sent to HUD expressing the Board's concerns regarding the timeline of the Improvement Plan. HUD replied in writing on March 16, 2006. Chairman Sted asked Executive Director Stephanie Aveiro to proceed.

REPORTS,
OFFICE OF
THE
EXECUTIVE
DIRECTOR,

Board-Related-
Correspondence

Executive Director Aveiro introduced Mr. Michael Flores, Director, Office of Public Housing, U.S. Department of Housing and Urban Development (HUD), Hawaii State Office, who was at the meeting to provide further clarification. The March 16, 2006 response letter from Mr. Flores was received and distributed at this meeting.

Letter dated
March 9, 2006
to Michael S.
Flores, U.S. Dept.
of HUD, regard-
ing the HCDCH
Improvement
Plan

Mr. Michael Flores apologized that, although he was at the January and February 2006 Board meetings, he was not able to explain in detail what the Improvement Plan entailed. Unfortunately, because of a change in the agenda, he was not able to stay the afternoon. He felt a lot of the concerns would have been addressed had he been there.

He explained, "Number 1, the Improvement Plan consists of targets. Targets are goals for HCDCH to strive to achieve. The targets are not deadlines. The executive staff should have explained to the Members of the Board that the targets are what HCDCH staff will strive to achieve." For example, on vacancies, Mr. Flores explained the Improvement Plan does not say that HCDCH is required to achieve 95% occupancy in each project. And, it does not require HCDCH to turn around a vacant unit in 30 days.

The targets were intended to impress upon staff, and particularly on the management units, that the five (5) elements of the Improvement Plan are standards they should strive for.

Mr. Flores continued to explain that the Number 2 component of the Improvement Plan was that certain elements required a plan of action. "We asked for HCDCH to submit a plan of action for placing all units vacant as of July 1, 2005 back on line. The date July 1, 2005 only sets a cutoff point for determining what units need to be included in the plan. The July 1 to June 30 period is the HCDCH fiscal year as well as the public housing assessment system period for the scoring of the public housing agency (PHA)."

"The Number 3 part of the Improvement Plan is reports. For certain elements, we require HCDCH to submit key indicators for monitoring progress on achieving targets. We are also supplementing reports by doing self visits," said Mr. Flores. "We appreciate that HCDCH agrees with the target of 30 days for vacant unit turnaround. We question what standard was being used during the MOA, October 1, 2004 through September 30, 2005, if, as Ms. Aveiro suggests in her letter, the 30-day standard is to be applied only from January 2006."

The issue of how long it takes HCDCH to turn around a vacant unit has been in the spotlight for the past two years. The average unit turnaround time is reported by HCDCH in PHAS as 210 days, as of June 30, 2004, and 182 days as of June 30, 2005.

"We understand and acknowledge, and I've said many times before, it would be near impossible for HCDCH to reduce the average unit turnaround time because of the number of units that have been vacant for months and years."

As HCDCH strives to put back on line the units vacant for many months and years, there has to be a discipline to hold managers accountable for turning around vacant units in 30 days.

Mr. Flores continued from his letter of March 16, 2006. "On the matter of producing a monthly financial report, we trust there is agreement that along with the operating budget, the monthly financial report is a basic tool an organization needs in order to manage its progress." The HUD staff will work with the HCDCH staff to review HCDCH's current accounting system to determine how best to obtain the necessary reports.

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With the split of the HCDCH taking place on July 1, 2006, and the implementation of project-based accounting on July 1, 2007, HUD is concerned that HCDCH does not have much time to put in a more workable accounting system in place.

Chairman Sted responded that the Board lacked the understanding of the Improvement Plan that Mr. Flores now clarified.

Mr. Michael Flores replied, “This is not an MOA. The MOA was a document you were required to accept as being part of your annual contributions contract. As stated in that January 23, 2006 letter, although all of the targets and strategies of the MOA were not completed, we were satisfied that HCDCH had made satisfactory completion that we could close the MOA. The Improvement Plan was to carry over about ten (10) items that we felt necessary. It reflects the Board’s prior comments that the goals be tighter, and the Improvement Plan is an indication that it reflects a cooperative working relationship to improve the management operations of HCDCH.”

Director Thompson said, “...you’re right on.” “You are asking exactly what we need. Your explanation was very helpful.”

There being no questions, Chairman Sted thanked Mr. Flores.

The Chair called for a five-minute recess at 9:40 a.m. before going into Executive Session

RECESS

The Chair reconvened the Regular meeting at 9:45 a.m.

RECONVENED

Director Thompson moved, seconded by Director Smith,

That the Board meet in Executive Session at 9:45 a.m. to discuss matters as set forth in the agenda under Executive Session.

EXECUTIVE
SESSION

The motion was unanimously carried.

The Executive Session ended at 10:25 a.m.

Director King moved, seconded by Director Thompson,

That the meeting reconvene in Regular Session at 10:25 a.m.

RECONVENED

The motion was unanimously carried.

Chairman Sted moved on to the next agenda item, Office of the Executive Director Reports.

REPORTS,
OFFICE OF
THE
EXECUTIVE
DIRECTOR

Chairman Sted asked Executive Director Stephanie Aveiro to present her report.

Executive Director Aveiro stated she and staff were available to answer any questions. She called the Board’s attention to Agenda Item III.A.6., under Staff Relations.

Staff Relations

On March 8, 2006, staff met with the Asset Management Subcommittee members, Directors Thompson and Smith. Chairman Sted was off island and unable to attend.

Management
Subcommittee
Meeting

It has become apparent to staff that with the upcoming split of the agency, certain goals of the asset management report and the leveraging of certain properties is no longer appropriate, as the assets will be in two separate agencies.

Director Thompson reported that the committee still wants the State low rent projects and the elderly projects to be managed by the private sector.

Director Smith reported the committee still thought HCDCH should hire a consultant to package the proposal but not limit it to only three.

Executive Director Aveiro added that part of the strategy was to position the properties so they could be transferred to the private sector, and HCDCH would have to identify resources to do necessary repairs so the private sector would consider such properties. She suggested to the subcommittee, and they agreed, that HCDCH should advertise the availability of these State projects and let the interested parties tell us what the needed resources are to maintain and to repair.

Executive Director Aveiro added that these entities can access resources that HCDCH cannot.

Director Smith stated that as part of the asset management committee meeting, the issue of Waiahole Valley leases was discussed.

WWCA Self
Determination
Proposal for
Waiahole Valley

The discussion regarding self determination of the lessees has not proceeded. The Waiahole Waikane Community Association (WWCA) has requested information regarding the budget. There are several other entities not part of the WWCA who have shared concerns and requested to be part of the discussion.

Director Smith suggested that HCDCH hire a community organizer to pull people together, to identify all the stakeholders much like Micah Kane and DHHL did for their strategic plans. HCDCH should create a master plan for the area with the help of all the residents. Maybe self determination is not what all residents would like. The HCDCH needs to identify facilitators to assist to look ~~[wholistically]~~ holistically at the valued property that HCDCH is managing and put the pieces together so that HCDCH has a long-term plan with short-term issues, as well as longer-range directions for the staff.

The Development Branch representative, Mr. Tom Otake, thought that was a good idea – to work on a master plan with the residents once and for all.

Executive Director Aveiro reported that a second issue regarding Waiahole was also discussed. It is the use of Lot 79 as a Taro Lo'i.

Director Smith indicated that some sort of action from the Board is required to resolve the issue of the lo'i. It was agreed that the existing nonprofit should request a lease from the Board and a full discussion can be had.

Director Thompson added that the final issue on Waiahole is the ongoing problem with water. No matter the circumstances, HCDCH has to fix the water tank and other water transmission challenges as well as deal with the other issues. He asked Executive Director Stephanie Aveiro "is that your understanding?" Executive Director Aveiro answered in the affirmative.

Chairman Sted moved on to the next item of the Executive Director’s Report and asked Ms. Aveiro if there were any of the remaining items that she wanted to bring to the Board’s attention.	Attached Reports
Ms. Aveiro replied in the negative, and indicated that staff attending this meeting was available to answer any questions from the Board.	
Director Smith referred to <u>Attachment 8.c.1., 2006 Legislation – Bill Status Report</u> , and asked if staff was aware of three resolutions scheduled for hearing on March 24, 2006 involving management and financial audits of the HCDCH. Because of the agency split, Director Smith questioned whether or not staff was planning to point this out to the resolution sponsors since it would seem prudent not to proceed with the audits, and since the entities being audited would no longer be in the framework under HCDCH.	Planning and Evaluation Office
Executive Director Aveiro replied that the three resolutions requested the Legislative Auditor to conduct a financial and management audit of the HCDCH, a financial and management audit of the Capital Fund Program, and a management audit of the Maintenance Services Section of HCDCH. Staff could suggest to the Legislature that the HCDCH preference would be not to do the audits because of the agency split. Ms. Aveiro also welcomed the offer from Chairman Sted, and the Board, to communicate directly with the legislators on this matter.	
Director Thompson referred to <u>Attachment 1.g, March 6, 2006 Letter to Catherine Rice, Members of the New Housing Agency Boards</u> , and inquired about the status of the nominees for the new Board of Directors for the Hawaii Public Housing Administration (PHA) and the Hawaii Housing Finance and Development Administration (HFD).	Board-Related Correspondence
Ms. Aveiro indicated that the March 6, 2006 letter to Ms. Rice informed her of the composition of the Boards for the new housing agencies. Ms. Aveiro also reported that HCDCH sent a list of possible nominees to Governor Lingle for consideration. Staff also informed the Governor of those current Board Directors who are interested in serving on the new Boards. To date, the agency has not been informed as to whether or not the names of the nominees have been sent to the Legislature.	
With respect to the resident vacancy on the HCDCH Board, Director Smith reported that Catherine Rice has asked the Resident Advisory Board (RAB) to submit an additional five names for consideration. To date, RAB has not submitted the names.	
Director Thompson inquired about the status of the PMMB Branch Chief applicants.	Status of PMMB Branch Chief Vacancy
Executive Director Aveiro reported that two good candidates applied for the position. She had a second interview with one applicant, and there will be an interview with the second applicant on March 24, 2006. One applicant has management and military experience, while the other applicant is an existing PHA executive director who is interested in relocating to Hawaii.	
Director Thompson reported that he and HCDCH staff are working on developing informational reports for the Board showing trends and action plans to meet the trends.	Informational Reports for Board

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Director Thompson indicated that he is very concerned about the following areas:

1. Unit Vacancies. The current leasing up of vacant units is appalling. So, the informational reports are to identify and resolve the huge number of vacancies in the public housing projects. Currently, the turnaround time to lease up a vacant unit after a resident moves out is so far from the 30-day unit turnaround time required by HUD. These reports will show the exact number of vacancies, by funding source, and the number of units ready for leasing up. The report will also identify how many days it will take from the time a resident moves out to the time a new one moves in.

Director Thompson also stressed the importance of having the public housing supervisors be cognizant that meeting the 30-day HUD goal is their challenge to meet. They must plan ahead, and once they are made aware of an impending vacancy, a team should be in place to begin doing whatever work that needs to be completed in the unit to ready the unit for lease up before the new resident moves in.

2. Collections. Director Thompson indicated that approximately \$4.5 million in delinquent rent is owed to HCDCH. Three management units (which includes Maui) account for 60% of this delinquent amount. So, it is important for the Board to come up with a plan to improve the delinquencies, or write them off. The informational report will be a simple report that will show the Board the progress of the delinquencies on a monthly basis.

Director Smith referred to Attachment 8.e., Development Section Status Report. Director Smith commended the staff for preparing a report that is very understandable to read and shows the new updates in **bold** from the previous month's report. She expressed thanks to staff who prepared the report and said that the report is very helpful.

Development
Section Status
Report

Director Smith had questions on the following two items of the Development Section Status Report:

1. Attachment 8.e., Page 2 of 7 Pages, Item B.6, Kau'olu (Crown). Director Smith asked for clarification of the sentence. Mr. Stanley Fujimoto explained that staff is informing the Board that HCDCH will be processing the 201G exemptions for the second parcel because the City and County of Honolulu indicated that their guidelines do not permit processing of the project because the target market is higher than the City guidelines permit – which requires a project to have at least 50% affordable. With the 50%, 10% has to be 80% below market, and 20% has to be between 80 and 120. So, the income threshold of the potential residents did not meet the City's statutory income threshold for processing their 201G exemptions.
2. Attachment 8.e., Page 3 of 7 Pages, Item II.A., Senior Residence at Iwilei. Director Smith asked whether the verbal approval received from DAGS for Easement U was an indication that the project could move forward.

Kau'olu
(Crown)

Senior
Residence at
Iwilei

Executive Director Aveiro mentioned that since the last Board meeting (3/16/06), she received a letter from State Comptroller, Russ Saito, dated March 8, 2006, which said, in effect, that this is to assure your agency that the Department of Accounting and General Services' (DAGS) administration fully supports the pending HCDCH residential housing development project in Iwilei, Oahu.

Director Jung had the following question regarding the Development Section Status Report:

Director Jung referred to Attachment 8.e., Page 2 of 7 and Page 3 of 7, Item II., Kealahoe, North Kona, Hawaii, non-ceded/land parcel, and reported that he had just learned that the \$12 million that the Governor included in her executive supplemental budget for the Kona Water infrastructure is not included in the House Finance Committee budget and would not be sent to conference committee. He raised this concern because the \$12 million requested by the Governor was to be supplemented by a \$25 million bond request by the Hawaii County Council. Without water, the 6,000 units envisioned for affordable housing in West Hawaii between the DHHL lands and the Villages of La'i'opua will come to a halt.

Kona Source
Water
Development
System

Director Jung requested that staff confirm in writing that the \$12 million was deleted by the House Finance Committee, and to find a way to have the funds restored.

Executive Director Aveiro replied that she had just learned of the same thing and staff would confirm whether or not this information is accurate. She did mention that DHHL is "leading the charge" to get the money in the budget. The 272 acres that HCDCH owns in Kealahoe is dependent on that water source development, and Hawaii County is very anxious about this matter.

Director Smith suggested making calls to Rep. Taniguchi, Chair, House Finance Committee, because the bill was currently in the Senate Ways and Means Committee. Director Jung said he would assist. He added that Hawaii County Council is pressuring to make an announcement about the development of the 272 acres for affordable housing in West Hawaii.

Chairman Sted also requested that staff email the response to the Board on the status of this matter.

Director Thompson continued the discussion by requesting, for the Board's information, a monthly status report of all HCDCH program funds, how many funds does HCDCH have, and the balance in each fund. He indicated that the Finance Branch Status Report (Attachment 8.d.) does not currently reflect any information on HCDCH program funds and cited the LIHTC program, as an example. Director Smith seconded Director Thompson's request. She noted that there are three applications for the Rental Housing Trust Fund monies. The trust fund will be receiving a lot of money and did not know whether or not the three applications would use up all the trust funds, or whether the agency would have to request for more applicants.

Finance
Branch
Status Report

Director Thompson added that HCDCH has to have a plan on how the RHTF monies will be used.

Chairman Sted asked if the Board had any other questions.

Director Thompson referred to Attachment 8.d., Finance Branch Status Report, Page 2, regarding the item on Foreclosure Actions, and asked whether HCDCH has any other foreclosure actions besides Waiahole?

Foreclosure
Actions

Mr. Ueki replied that the Waiahole foreclosures are probably the most high profile ones; however, there are other foreclosures in Ewa Beach, and other projects where HCDCH has existing mortgage loans. Delinquency ratios are shown on Page 1 of the Finance Branch Status Report, such as the Hula Mae and Act 105 loans.

The Chair asked if the Board had any other questions.

Director King referred to Attachment 8.e., Planning and Evaluation Office, Item 10, On hold pending reorganization, regarding 17-2001 Hula Mae Single Family, and asked, “What is on hold and what is it affecting?”

On Hold
Pending
Reorganization

Ms. Aveiro indicated that the PEO has been amending the administrative rules and regulations to place the HCDCH under the DHS, however, has put this task on hold because of the agency split.

Director Thompson raised a question regarding to Attachment 8.f., Construction Management Section, Page 1, Item No. 12, Kuhio Park Terrace Fire Alarm. Under the status column, the report says; “Waiting for respondent to submit proposal.” Director Thompson referred to this status as a safety issue, and stressed that staff give this item expedited treatment. Ed Morimoto agreed. Director Thompson also asked about the status to cost engineer the system.

Kuhio Park
Terrace
Fire Alarm

Mr. Morimoto, Construction Management Section Chief, responded that the lone proposer for the KPT Fire Alarm job bid \$1 million over HCDCH’s budget. Because the job is a proposal and not a bid, HCDCH is allowed by statute to negotiate with the contractor. The contractor is the design and construction person for this project.

Director Thompson asked Mr. Morimoto what was his timing, and Mr. Morimoto replied that negotiations have not yet been completed, but he knows work has to be done quickly.

Director Thompson said that safety of the people at KPT must be the top priority.

For the Directors information, Ms. Aveiro added that there are fire extinguishers in every unit, and HCDCH is paying for special security just to do fire watch.

The Chair asked the Board if they had any other matters to discuss.

Director Smith referred to Attachment 8.g., Homeless Programs Branch Monthly Status Report, and commented this is the first time that this report has been submitted to the Board, and she would like to provide some suggestions to Sandi Miyoshi to augment this report to be more informative for the Board. This report is important on homeless issues.

Homeless
Programs
Branch
Status Report

Meanwhile, Director Thompson asked Brian Johnson, staff from the Homeless Programs Branch who attended the meeting, to verify that the shelters listed under I.A., Shelter Management, are not the only shelters that the State contracts with.

Mr. Johnson replied in the affirmative. The shelters listed in the report are HCDCH-owned properties. The other shelters are those that HCDCH funds with State monies. Director Smith said what would be helpful to the Board is to list all the shelters and show what their occupancy levels are.

Director Smith informed the Board that Governor Lingle is very interested in working with private sector service providers (Continuum of Care) on homelessness. The Governor has invited them to join her on March 30, 2006 for the Homelessness Summit Meeting to discuss how the \$20 million from the Governor’s budget will be utilized by the service providers to address the homelessness issue and what additional steps can be taken by the State and service provider communities to deal with this important issue.

Director Smith welcomes any Board member who would like to attend, and indicated that invitation notices will be sent to the Board Members. Homelessness is a very top priority for the Governor.

HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF HAWAII

There being no further question, Chairman Sted asked for a motion to adjourn the meeting.

ADJOURN-
MENT

Director moved, seconded by Director Jung,

That the meeting be adjourned at 11:05 a.m.

The motion was unanimously carried.

LILLIAN B. KOLLER, ESQ.
Secretary

Approved:

Attachment 8.g.

ADJOURN-
MENT

